



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

October 22, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE

On October 20, 2004, the California Performance Review (CPR) Commission held its eighth and final public hearing meeting at the campus of UC Irvine. While limited comment was allowed, the Commission primarily focused on the proposed recommendations and the public testimony received at prior meetings.

For your reference, attached is a draft copy of the Commission's report (including annotations reflecting the Commission's discussions) which will be finalized and submitted to Governor Schwarzenegger along with over 500 pages of testimony from statewide hearings held over the last two months.

Of major interest to the County, the Commission's recommendations include:

- A suggestion to the Governor to initiate a thorough review of the allocation of responsibilities between the State and local governments with the objective of aligning responsibilities to the level most appropriate to the function.
- Support for the CPR recommendation to reorganize the Health and Human Services Agency. However, the Commission recommended that the reorganization be coordinated with proposed Medi-Cal and CalWORKs program reforms and the proposed realignment initiative. The Commission endorsed the creation of a working group with local representation to develop recommendations for program realignment.
- Support for the CPR recommendation to appoint a statewide public health officer to coordinate various State programs with local and federal programs.

- Opposition to the recommendation to consolidate the Mental Health and Alcohol and Drug Departments; however, the Commission recommended that the Governor direct both departments to coordinate their services and develop a memorandum of understanding to better serve their client population.

Other recommendations of interest include:

- Support for the establishment of the Office of Management and Budget (OMB) to create a cross-functional policy development and budget agency.
- Appointment of a task force of individuals not aligned with any education constituencies to recommend a new education governance structure.
- Support for the Independent Review Panel's recommendation to consolidate State corrections functions. The Commission also supported the creation of a citizen oversight commission as an advisory body to the Department of Corrections.
- Opposition to the CPR recommendation to eliminate the Air Resources Board (ARB) and Regional Water Quality Control (RWQC) Boards. Instead, the Commission recommended a review process of RWQC decisions by the State Water Control Board and suggested that ARB be placed within a new Environmental Protection Agency.

In response to the CPR recommendations to eliminate numerous other commissions and boards, the Commission recommended that the Administration evaluate each recommendation in accordance with suggested criteria in the Commission's report.

We will continue to keep you advised.

DEJ:GK:
MAL:JR:MR:ib

Attachment

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants

DRAFT

→ Includes comments
and changes discussed
at the 10/20/04 hearing.

**DRAFT OF *STRAWMAN* RECOMMENDATIONS
CALIFORNIA PERFORMANCE REVIEW COMMISSION**

Introduction

The Commission strongly concurs with the Governor and the members of the California Performance Review (CPR) team that substantial changes are required in California's state government to assure that it operates effectively and efficiently for the state's citizens. It is highly commendable that the 1,200 recommendations resulting from the extensive CPR work are offered by California state employees, who are widely regarded as one of the most professional government employee workforces in the nation.

After seven full-day public hearings throughout the state and individual review of the CPR recommendations, the Commission finds that ^{a significant number of the} ~~the vast majority of~~ proposals in the report should be implemented.

The Commission suggests that the Governor and his administration review all of the CPR recommendations that could be implemented without legislative action and immediately begin the process of change. Indeed, some change has already begun.

→ Commission agreed that not all
members concur with all the
administrative recommendations.

The principal focus of the Commission's work over approximately two months has been the CPR recommendations related to those suggested statutory policy changes and government reorganization options requiring legislative approval. Thus, presented below are the Commission's recommendations related to each category as well as proposals that may require further analysis and refinement. Also presented are the Commission's conclusions regarding certain recommendations that should not be pursued.

It should be understood that in the short time the Commission has existed, its primary task has of necessity been to conduct the series of public hearings on the proposals rather than to analyze and prioritize the many recommendations in the report.

With that understanding, the Commission's consensus policy and reorganization recommendations are presented below. Additionally, all Commissioners are invited to submit their personal observations and recommendations to the Governor.

Guiding Principles

- Make government more responsive and accessible to the people.
- Improve government operations, services and outcomes.
- Maximize existing revenues.
- Improve California's competitiveness.
- Better educate our future workforce.
- Establish and maintain positive partnerships with local and federal agencies.

Policy Recommendations

- **Business improvement operations should be evaluated by the Governor for feasibility and implemented through administrative actions as appropriate:**

Many CPR recommendations are aimed at improving ^{operations and} public access to state government. These recommendations ^{may} ~~should~~ be implemented through administrative action as long as they do not require additional resources. Those requiring additional resources should be proposed through the budget process ^{or change in the law.} once their cost/benefit has been evaluated.

- **Additional technology should be used to streamline state government operations and improve customer service:** CPR focuses on the greater use of technology to advance an efficient, cost-effective, customer-friendly delivery of government services. The Commission endorses this concept and urges the Governor to ^{work with the legislature and develop proposals.} ~~implement these recommendations~~ Examples include using technology to develop a web-based eligibility portal for Health & Human Services (HHS) programs and on-line exams for licensing and permit processing.

- **Develop a strategic plan to meet the state's personnel needs:** One-third of the state's workforce will retire in the next 3-5 years. The state must develop a strategic plan in regard to its workforce, including areas of hiring, compensation, and workforce development. Consideration should be given to ^{examining} ~~expanding~~ the role of the Citizens' Compensation Commission to include the executive

compensation structure of the state workforce to ensure that the compensation system meets the state's needs.

We support the training recommendations and the fostering of a *culture of service*, and believe that training should ^{be given priority in} ~~not be the first thing removed from~~ department budgets. A study should be commissioned to examine total compensation (salary and wages, benefits, ^{pensions} vacation time, etc.). As the plan is developed, input should be solicited from all interested parties.

Reorganization Recommendations

Prior reorganization proposals of more limited scope have been developed internally within the executive branch and forwarded directly to the Little Hoover Commission and the Legislature for review. Given the comprehensive nature of the reorganization proposals developed by the CPR staff, the Commission finds that the public hearings afforded a meaningful opportunity to identify and evaluate the complexities involved in pursuing a comprehensive reorganization of state government.

With certain exceptions, the Commission supports the major reorganization proposals ^{made} ~~proposed~~ by the CPR team. This is especially true with respect to the establishment of an Infrastructure Department and the establishment of an Environmental Protection Department. It should be left to the administration to determine the precise make-up of each department, but the Commission specifically

suggests retaining the existing Air Resources Board within the Environmental Protection Department.

Infrastructure Department

A major objective to be accomplished in the formation of an Infrastructure Department is the consolidation, into one state agency, of the responsibility for planning and prioritizing the state's capital infrastructure needs. There is valid concern that expertise must be maintained, particularly in the areas of water and transportation. The Department should be responsible for regularly updating the 5-year capital facilities budget now required by law. This function would be transferred from the Department of Finance.

The Commission agrees that the state needs greater uniformity among planning, management and implementation of water resource efforts. We believe that to realize efficiencies these efforts need to be streamlined and restructured whether housed in the proposed Resources Department or the Infrastructure Department. The 5-year capital infrastructure budget plan would include water, energy, transportation, housing and other state capital needs.

The Commission has heard a great deal of discussion about conflicting water policy between the Regional Water Quality Control Boards and the State Water Control Board. While there is a need for regional input or representation, there is also a need for greater consistency in interpretation. ~~(therefore, there should be an~~

→ Add sentence to explain the State-local process should be respected.

— There is a need for a review process of automatic review of inconsistent regional board decisions by the State Water Control Board.

The Commission agrees with a consolidation of energy regulatory agencies. With the state's need for adequate supply and reasonable prices, the state must streamline its process to facilitate investment in energy infrastructure and provide clear direction as to who has the authority to site new facilities.

Office of Management and Budget

- Create a strong, cross-functional policy and budget organization in an Office of Management and Budget (OMB): Strong cross-functional policy development and budgeting capabilities should be centralized in an OMB. The functions of the Department of Finance, the strategic policy responsibilities of the Office of the Chief Information Officer and the bargaining authority of the Department of Personnel Administration should be consolidated within the OMB Executive Office. In addition, the Office of Administrative Law and the Office of Administrative Hearings should be maintained as separate divisions within the OMB. The administrative functions of the Department of Personnel Administration and the State Personnel Board should be consolidated into a Personnel Services entity within the OMB. The adjudicatory functions of the State Personnel Board should be maintained as an independent board within the OMB.

Operations functions, including managing the day-to-day operations of fleet, printing, data centers, etc. should be administered under a Chief Operating Officer (or similar position) under a Business Services Division within the Department of Commerce, Consumer Protection and Business Services.

Tax Collection and Administration

No agreement was reached, therefore this section will have to -
- be re-drafted.

The Commission strongly believes that this process is in real need of clarification for the citizens it serves. It is therefore recommended that a Department of Revenue be formed along with a Tax Appeals Board.

Tax administration functions, such as collections and monitoring, should be consolidated from the four different tax collection agencies into a single department to streamline processes and enhance operations. The Board of Equalization should be reorganized and serve as a tax appeals board.

Corrections

The Commission endorses the Independent Review Panel's recommendation that state corrections functions be consolidated into a single department. The Commission heard compelling testimony from former Governor Deukmejian that a Citizen Oversight Commission be created. We support the Citizen Oversight Commission with the following modification: The Commission should be created to ^{be advisory to} ~~guide~~ the Department of Correction ^{and} ~~policy, but~~ not have administrative authority. It is imperative that the

management of the Department appointed by the Governor be empowered to run the state's prisons.

We also recommend that the Department of Corrections' administrative functions, such as personnel and procurement, be centralized (at individual prisons) and that selection of wardens should not require Senate confirmation.

Labor & Workforce Agency

- Economic Development activities should be transferred to the Department of Commerce and Consumer Protection: Economic Development issues are better aligned with the overall mission of that department instead of the proposed Labor and Economic Development Department. We support moving the Public Employee Relations Board, the Agricultural Labor Relations Board, and the Department of Fair Employment and Housing into the Labor and Workforce Agency.

Higher Education and Volunteerism

and the Chancellor's Office

- The Board of Governors[^] of the California Community Colleges should be retained and be given enhanced authority. The Community College system is an important provider of higher education to the state's residents and should be able to shape educational policy for its students.

- We recommend no changes be made to the Student Aid Commission which was successfully restructured in 1997.
- We support improved articulation between the community colleges and California State University and University of California systems.

to be re-drafted.

- While we believe that performing volunteer service and service learning are important goals and that both should be encouraged and facilitated, we do not believe that they should be mandated due to the cost and complexity of administering the activities of such programs. Both CSU and UC are currently encouraging volunteer service, and should continue seeking opportunities to expand that practice.

CPR Recommendations Requiring Further Study of K-12 Education

The Commission concludes that the CPR recommendations do not address the fundamental governance issues related to the state's public schools. The division of responsibility over elementary and secondary education among several state, county and local authorities has resulted in little or no clarity and accountability for student achievement.

The Commission recommends that the Governor appoint a small task force of individuals who are not aligned with any education constituency to recommend a

clear education governance structure that maximizes student achievement as the primary goal at all levels.

We support the need to develop a comprehensive plan to develop technical education in order to meet workforce and student needs.

Health and Human Services

Per various commissioners,

→ this section needs more work

Add sentence to explain impact on local government

- Major reorganization of the Health and Human Services Agency (HHS) should be coordinated with the reform efforts, or postponed, until the Medi-Cal, CalWorks and other program reforms and realignment initiatives are completed: The creation of working groups^{with local representation} to develop recommendations for program realignment is strongly endorsed by the Commission. The exact design of the Health and Human Services Agency should be contingent upon the outcome of this work.

While the restructuring of the HHS Agency will be dependent on the reform and realignment discussions, two recommendations within CPR should be pursued: A statewide public health officer should be appointed to assure that health efforts are coordinated among the various state programs, to coordinate health efforts among local and federal programs, and to develop a strategic plan to ensure a healthy California population; and second, the Governor should direct the Department of Mental Health and the Department of Alcohol and Drug Programs to coordinate their services and activities to better serve their shared client population. This latter point should be accomplished through a written memorandum of understanding. Finally, the Commission believes the

- Commission highly emphasized to recommend coordination and not to consolidate the programs.

professional licensing functions of the current Department of Consumer Affairs should remain within the new Commerce and Consumer Protection and Economic Development Department.

Other Reorganization Considerations

- Peace Officers employed by various state departments should be left in place and not consolidated into a public safety department. Inter-agency agreements should be executed to permit peace officers to be called upon in the event of emergency.
- The Victims Compensation Board and the Victims' Services Division of the Office Emergency Services should be consolidated and transferred to the Department of Commerce and Consumer Protection or, alternatively, to the Office of the Attorney General.
- The California Science Center and African American Museum should report to the Secretary of the Resources Department. A task force should be formed to determine whether these facilities would be more appropriately operated at the local level and to identify resources that may be necessary to effectuate a potential transfer.

— o Add bullet explaining that consideration should be given to the creation of an "Office of Public Safety" instead of the CPR proposed Homeland Security Department. (New office to include CHP, CDF, OES, etc.).

Boards and Commissions

Boards and commissions enable public participation and subject matter expertise in particular fields. The Commission recommends that the administration evaluate the boards and commissions proposed for elimination in accordance with the following suggested criteria:

- *Does the entity serve a worthy state purpose:* State boards and commissions should serve a statewide interest. Boards and commissions serving local or regional functions should be eliminated and/or transferred to local agencies or converted to a local non-profit agency or public-private corporations. For example, county fair boards should be considered for transfer to local jurisdictions. Also, boards or commissions that exist solely for the enhancement of a given profession or specialty should be scrutinized. There is a state role, however, with boards or commissions crossing several jurisdictions.
- *Consistent application of law and development of regulations:* Boards and commissions should be structured to ensure that rules and regulations are uniformly applied across the state. An example of this type of board is the Air Resources Board.

- *Independence is critical for operations:* Boards and commission structures can be used to preserve independence when needed, such as quasi-judicial or appellate responsibilities. Examples of this include the State Personnel Board.
- *Some statutory boards and commissions should be transitioned to advisory boards, appointed by agency secretaries and department directors:* In some cases, board and commission members can be best selected by agencies and departments and do not require gubernatorial approval.
- *Protect public health and safety:* These boards regulate requirements for public safety in providing services, i.e. health professionals.
- **Limit pay for board and commission members:** Pay should correlate to the time that individuals actually work on issues for the board, i.e. full-time pay for full-time work. Board members who work a few days a month or less should not be paid a full-time salary but rather a *per diem* or paid reduced compensation based on workload.
- **Boards and commissions should not have line operational functions:** The role of boards and commissions should be limited to specific roles outlined above, unless otherwise mandated. Boards and commissions should not have direct line control over operations.

- All boards and commissions should be contained within a cabinet agency, department or under a constitutional officer with a consolidation of administrative services: Even independent boards and commissions should be coordinated through cabinet agencies and departments or under a constitutional officer to ensure better accountability as well as enhanced operation and communication within the Executive branch. At present, many independent boards are contained within an agency/department structure while still preserving their independence. Examples of this include Public Employees Retirement System and the State Personnel Board within the State and Consumer Services Agency. An exception to the above recommendation would be the Little Hoover Commission.
- All boards and commissions should be reviewed and/or reauthorized on a regular basis: Boards and commissions should be periodically reviewed to ensure that the original purpose for their creation still exists. There are many examples of boards and commissions within state government that have outlived their usefulness but nonetheless still exist, many of which are not even in operation, and should be officially terminated.
- Boards and commissions that have finance authority should be evaluated to determine the impact of the transfer or elimination of their outstanding bonds. Boards in this category include the State Public Works Board and State-Water Resources Control Board.

Finally, while outside the scope of the California Performance Review, the Commission suggests that the Governor initiate a thorough review of the allocation of responsibilities among state and local governments with the objective of aligning those responsibilities most appropriate to the function. This

reconciliation of governmental functions is particularly critical in light of Proposition 13 (approved by the voters in 1978) and Proposition 98 (approved by the voters in 1988).

→ section to be removed.